

Commonwealth of Kentucky
Kentucky Department of Insurance
Annual Report on Operations of Insurance Purchasing Outlet

In accordance with KRS 304.17A-760(1)(i), an Insurance Purchasing Outlet is required to prepare a Report on Operations. The completed report should be forwarded to the KY Department of Insurance, Attention: Division of Financial Standards and Examinations, P.O. Box 517, Frankfort, KY 40602-0517, no later than sixty (60) days after the end of the Insurance Purchasing Outlet's fiscal year. Following are instructions and the form that must be used by an Insurance Purchasing Outlet in developing this two-part report, including Member Enrollment and Management Discussion & Analysis of Financial Condition and Results of Operations.

(NAME OF INSURANCE PURCHASING OUTLET)

(Certificate Of Registration Number of Insurance Purchasing Outlet)

Part I. Member Enrollment

(Dates covered by Member Enrollment)

In tabular form, report the number of members enrolled in the Insurance Purchasing Outlet by month, quarter and year-to-date.

(NAME OF INSURANCE PURCHASING OUTLET)

(Certificate Of Registration Number of Insurance Purchasing Outlet)

Part II. Management Discussion & Analysis and Results of Operations

(Dates covered by fiscal year)

(1) The Management's Discussion and Analysis of Financial Condition for Full Fiscal Years component of this report must be submitted in narrative form and include a discussion of the Insurance Purchasing Outlet's financial condition, changes in financial condition, and results of operations. The discussion shall provide information as specified in subparagraphs 1., 2., and 3. with respect to liquidity, capital resources and results of operations and also shall provide other information that the Insurance Purchasing Outlet believes to be necessary to an understanding of its financial condition, changes in financial condition, and results of operations.

1. Liquidity. Liquidity must be discussed on both a long-term and short-term basis.
 - (a) Identify any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Insurance Purchasing Outlet's liquidity increasing or decreasing in any material way. If a material

deficiency is identified, indicate the course of action that the Insurance Purchasing Outlet has taken or proposes to take to remedy the deficiency.

(b) Also identify and separately describe internal and external sources of liquidity, and briefly discuss any material unused sources of liquid assets. Except where it is otherwise clear from the discussion, the Insurance Purchasing Outlet shall indicate those balance sheet conditions or income or cash flow items which the Insurance Purchasing Outlet believes may be indicators of its liquidity condition.

2. Capital Resources.

(a) Describe the Insurance Purchasing Outlet's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purpose of these commitments and the anticipated source of funds needed to fulfill these commitments.

(b) Describe any known material trends, favorable or unfavorable, in the Insurance Purchasing Outlet's capital resources. Indicate any expected material changes in the mix and relative cost of these resources. The discussion shall consider changes between equity, debt, and any off-balance sheet financing arrangements.

3. Results of Operations.

(a) Describe any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, indicate the extent to which income was affected. In addition, describe any other significant components of revenues or expenses that, in the Insurance Purchasing Outlet's judgment, shall be described in order to understand the Insurance Purchasing Outlet's results of operations.

(b) Describe any known trends or uncertainties that have had or that the Insurance Purchasing Outlet reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the Insurance Purchasing Outlet knows of events that will cause a material change in the relationship between costs and revenues (as in known future increases in costs, or price increases), the change in the relationship shall be disclosed.

(c) To the extent that the financial statements disclose material increases in net sales or revenues, provide a narrative discussion of the extent to which increases are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services. Also, discuss the impact of inflation and changing prices on the Insurance Purchasing Outlet's net sales and revenues and on income from continuing operations.

(2) The Discussion and Analysis component of this report must be submitted in narrative form and should focus specifically on material events and uncertainties known to Insurance Purchasing Outlet management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition. This would include descriptions and amounts of:

(a) Matters that would have an impact on future operations and have not had an impact in the past; and

(b) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations.